

**COMMITTEE ON FINANCE
(Budget Deliberations)**

April 10, 2006

6:30 PM

Mayor Guinta called the meeting to order.

Mayor Guinta called for the Pledge of Allegiance, this function being led by Alderman Gatsas.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen Roy, Gatsas, Long, Duval, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garritty, Smith and Forest

Absent: Alderman Thibault

Mayor Guinta advised that the purpose of the meeting shall be discussions relating to the proposed FY2007 budget, and departmental revenues.

Mayor Guinta turned the meeting over to the Vice-Chair, Alderman Gatsas.

Vice-Chairman Gatsas stated I thought the quicker we got started on this the better we would be because obviously it is a short timeframe that we have the ability to come through and I really want to at least make available to everybody on this Board, especially to new members, an opportunity to go through the entire process or as deep as they want to go so that we have an understanding. I think it is probably going to behoove us to really kind of start a budget from scratch and understand where the departments have been, where they are trying to get to, what their request were, and what their needs are versus some of the issues that I think are mandates and other issues that we can look at whether they are wishes or whether they are needs. I think it is important that we take a look...I have asked Kevin and Carol I will give you the request of a couple of others that I am looking for and I think if we can...I would like it if we could get some sort of five year summary from the School District on a three slot column. One that tells us what the budgeted amount was from the Board. Two what they went in on July 1 and changed those budgeted numbers to so that it was their budget that they were going to live with and what their expenditures were so we can look to see where those numbers change when they come and tell us they need X amount of dollars

for certain things and those numbers move from what they budgeted to what the actual expenses were. I have also asked Kevin to do that same report for the departments here but to do it in a different manner so that we see the entire City in that five year format based on because all of the departments use the same numbers so that we can see what the entire City's number looks like along with what it is compared to schools. So I am leaving this as an open sort of format so if there are Aldermen that are looking for particular things or if they want to discuss particular things that we bring them up and talk about them and move forward. I think it is important that we all participate in this process and we try and take it one step at a time. I think the first step that I have asked the departments to come forward with are revenue sources. I think if we work on the revenue side and understand what those revenues are in their totality we can then understand how we are going to spend those dollars when we move forward in budgets and I think it is important for the entire City, along with department heads, to understand what the total dollars are that we are receiving and how we spend those the wisest and best for the City of Manchester. With that, as you can see there is a list of revenues that is before us and I don't want anybody to think that any revenue source they may think of that somebody must have thought about it before and they brought it up before. Let's bring it to the table because somebody may have a good idea that if we massage it enough we might be able to find a new revenue source that is going to help the taxpayer out in the City because I think we are all here to work in the best interest. Chairman Lopez I don't know if you have anything to add to that or if you are looking for any specifics.

Alderman Lopez stated I think it is important that we work together and I am sure that the members of the Board here will do that. I think you have indicated that there are additional questions they might have to come to a conclusion. Just as a side note, I think that we do need to know a couple of things before we proceed so that we know where we are going. When we can expect the breakdown of the budget from the Mayor on his analysis of the budget and how he came to get those numbers. Secondly, is to make sure that the departments have their contact with the Mayor if there are discrepancies within the budget. As he indicated, they can call and get an appointment. I just want to make sure that a fair process is done all the way around and I am sure you agree with me.

Vice-Chairman Gatsas stated well I am not really concerned with the process other than the ball is now in our court so I think if we start from square one and build a budget we will be able to get those answers as we move forward. I think it is important that we start on the revenue side. Those chips will fall where they fall and we will try and fill in the blanks as we go along.

Alderman Lopez replied but I think also we need to have some documentation on the Mayor's budget in order to come to a conclusion.

Alderman Shea stated one of the considerations that I want to be brought before the Board when any department head speaks before the Aldermanic Board are the implications of the lack of funding that they may have. I think that is very essential as we go through this process. For instance, if somebody is cut for example \$500,000 or \$1 million I want them to say to us these are the services that I as a department head have to cut in order to meet this particular expenditure. I think that is very essential as far as everyone knowing where we stand when we make a judgement concerning the budget. That is so essential because I think that if, for instance, somebody comes before us and a budget is lacking in their situation and they come before us and don't explain the implications of any cuts they may have received in their budget I think they are doing a disservice first to the citizens of Manchester and a disservice to us because I think we have to have as much valid information as possible in order to make a sound judgement concerning the budget. Thank you.

Vice-Chairman Gatsas replied I agree with you. I think it is important that when we ask for information we get it before that meeting so that we have an opportunity to look at it. I think it is important that as we go forward through this procedure that is why I think it is important that we take this one step at a time, one department at time, take a look at what those numbers were in 2005 and 2006 and how we construct a budget going for. I think then we will hear from the departments on if we eliminate this or eliminate that this is what we are eliminating from City functions.

Alderman DeVries stated I would agree with Alderman Lopez that the breakdown of the Mayor's budget proposal would be helpful so that we can see what went into that, specifically with some of the proposals but even in general. In addition to that I would like to see a full explanation of all of the CIP cash and bonded entities if there is any grouping that is not detailed already.

Vice-Chairman Gatsas responded my understanding is that the Chairman of CIP is opening the CIP budget in a few weeks.

Alderman Garrity stated we are going to have a lengthy discussion on the CIP budget on April 26 and 27. It is a Wednesday and Thursday. There will be a lengthy discussion and all of the details will be discussed so hopefully we can wrap up the CIP budget soon after the public hearing. If there are any concerns about the CIP budget from my colleagues, don't hesitate to give me a ring but it will be discussed on April 26 and 27.

Alderman DeVries stated I understand that there will be a meeting for discussion but prior to discussion it would be helpful to have the breakdown of the items that have been lumped in together and the cash and the bonded amount so that we can determine what the discussion needs to be before the meeting and we can research with the departments if we need to. In addition, I understand that back sometime in the 1990's there was a consultant hired and a study done on central purchasing. I believe it would have been during Mayor Wieczorek's time. I would like to ask the Clerk to research that past proposal and get us a copy of the central purchasing consultant position and also if they would look at any of the other new proposals within the Mayor's budget that we are being asked to look at if there have been any past studies. It would save us time to go back and see what past consultants may have had to offer.

Alderman O'Neil stated while we are on the revenue side there were recommendations in both letters from Police and Traffic to consider changes for increases in fees and other considerations and I am wondering if we...I think we still have the parking consultant coming in next week and if we can refer those two letters and I might have missed a third department. I don't believe I did but at least refer those two letters to the parking consultant so that we can address those next week. I don't know if you need a motion on that or if that can just happen.

Vice-Chairman Gatsas responded we will just move this along as a very relaxed situation so that we can move it forward. I think what Alderman O'Neil suggested is a good idea. If we can send those out and get a response from the parking consultant before he comes in so he just doesn't...I have a problem with people giving us information the day that they come in. I think every Alderman should have an opportunity to look at things, understand things, and raise questions so that when you come in and they are looking for those answers they have those abilities. I think in follow-up to your conversation, Alderman O'Neil, I think talking about the consolidation of Traffic I don't know if we want to keep it outside of this discussion or bring it in to this discussion where we are in the budget process now and maybe somebody has a different idea of where we should go. Whatever the wish of this Board is I don't have a problem. You being the Chairman of Administration I noticed you are having those discussions now. I don't know if we continue having those same discussions so that you are not having them twice and we make that decision as we go through the budget process. Maybe the most focal point of trying to do it and doing it right so that we have everything in front of us and maybe the situation...I have heard it going to Highway and maybe somebody says well Traffic should be under Police, those are issues that maybe we can look at when we move forward.

Alderman O'Neil stated I think we are having two discussions in the Administration Committee. One is whether or not to create a parking enterprise

system no matter what happens to Traffic and if they remain a department or don't remain a department and I think there is a separate discussion about whether they are consolidated with Highway or remain on their own or go someplace else. I think those two separate discussions went on in Administration and I think will continue to go in Administration.

Vice-Chairman Gatsas asked do you want to have any of those discussions here because I think I see it as a problem if Administration makes a decision and we haven't incorporated that thought process in the budget cycle and then all of the sudden it comes May and somebody says Administration has decided this and we have to try to fold it into a budget. I don't know if that is the correct process to go through and maybe Finance can help us out and tell us who is on first.

Alderman O'Neil responded I think there are a number of things and nothing major that departments needed to get back to us on and I think we were holding off on doing anything until we had a chance to meet with the parking consultant or the Public Safety and Traffic Committee anyway had a chance to meet with the parking consultant next week and I believe he may be available for the entire Board at some point.

Kevin Clougherty, Finance Officer, stated that is correct.

Alderman O'Neil stated I think we might know a little more, Mr. Chairman, after the meetings next week.

Vice-Chairman Gatsas asked so your suggestion is that we just wait and find out what you want to do from there. That is fine. I don't have a problem but I think it should be part of this discussion.

Alderman O'Neil answered we have to make sure that whatever goes on is communicated to the Finance Committee.

Alderman DeVries stated just to follow-up on that discussion there are a few pieces of that proposal that would overlap with the budget that we have to watch carefully and I am speaking to the parking control officers. I don't believe, if I heard the Mayor correctly when he spoke to the Administration Committee, that they were funded in the Police Department's budget. So if we do something that leaves them in the Police Department budget we need to make sure that they are funded.

Vice-Chairman Gatsas stated so we will just allow that to go through until the 17th and then look to see where that Committee is going to see if we bring it back here and how we incorporate it. I think some of the other things that I have asked for

and I have not seen them come back yet but the revenue is a start. I think it is important as I said to find out exactly what the revenues are. I think it is important for us to hear from the Assessors on how they get to their overlay amount in a year that is a non-revaluation year and a year that is a revaluation year so that we get a clear understanding on why those numbers appear to where they are, what they are expecting for new business to be on the books. I think it is important that we get a...in the six years that I have been here I have never got a clear explanation on how that whole system works. Maybe we need to take it from a first grade level and progress with it so that we understand what the Assessor's job is and we can appreciate the hard work they put into their job. I think it is important that we at least adhere to some financing practices so I think it is important, Kevin, that you and Randy kind of step in to make sure that if we are stepping outside the bounds that somebody pulls us back in because we are going to leave the discussion pretty loose so that everybody can participate. I think it is important that we start again...there is a document here that is pretty thick and I will get it to all of the Aldermen. It is about purchase card knowledge and how the new theme of using purchase cards versus credit cards versus purchase orders works and how that can save you money and the turn around time for what it is to get people their money in a more timely fashion. It gives us a lot more float time with the money so I think it is important that we learn about it and talk about and make some decisions if we are moving forward. I think that the most important issue we need to talk about is how do we control our contracts to make sure that the contracts that we have we understand and what dates are important as we move forward.

Alderman O'Neil asked are you talking labor contracts.

Vice-Chairman Gatsas answered I am talking about parking garage contracts or contracts where we give out money for certain projects and we don't know where they are at or if they have come to fruition. I heard a rumor on Friday that the Hands Across the Merrimack, the federal funds we have lost. I don't know if that is a true statement, an incomplete statement...I don't know if Mr. MacKenzie can elaborate on that very quickly. That is just an item that I hear on the street and I guess I will ask you is that a true item.

Robert MacKenzie, Planning Director, stated I am not aware that that money has been lost. It has been held by the state for several years. There are \$600,000 that was ISTE money and that has been set aside by the state out of what they call the TE funds.

Vice-Chairman Gatsas asked what about the federal dollars.

Mr. MacKenzie answered those are federal monies that are channeled through the state. The state does get to authorize the funds but all of the ISTE monies are federal funds.

Vice-Chairman Gatsas asked but weren't there additional funds other than the \$600,000 that were coming from federal dollars.

Mr. MacKenzie stated the only other source was the CBSA but that is not really federal funds. Those are state tax credits. Those are the only two non-City funds.

Vice-Chairman Gatsas asked so the rumor that was flying around is not true.

Alderman Shea stated my understanding is that the cost of that has gone from \$2.2 million to over \$3 million. Is that correct?

Mr. MacKenzie responded I have heard that the cost estimates have gone up. I am going to a meeting tomorrow morning to verify what the new costs are.

Alderman Garrity stated Alderman Shea from what I heard is correct. The price has increased an additional \$1.6 million I have been told. The Mayor's Office did make a good faith effort of funding an increase to complete that project but this Board has some hard decisions to make come this fiscal year in the CIP budget. That project has increased significantly. I don't see Frank Thomas. I see Kevin Sheppard but it has increased significantly and it is an issue that we have to tackle at the CIP Committee so I just wanted to make the Board members aware of that.

Vice-Chairman Gatsas replied as I said I am not looking to talk about this project this evening. I am just saying that is why we need to start thinking in our focus about putting a person in a position that understands where the projects are and reporting to the Board this project is over or this project is under or this project is due a check to the City. I think it is important because right now it seems as though contracts are everywhere. The Solicitor looks at him and he may give an approval and we don't know if the project has been changed in any way so I think it is very important that we have somebody in place who understands all of the projects that we as a Board vote on and what those expenditures are.

Alderman Lopez stated I think that Alderman DeVries and myself talked to the Finance Officer. That is why we need somebody in charge of all of the contracts in the City. This has been going on for about three years that we have been trying to get that person in for just exactly what you are saying and we know when the interest goes up and all of the aspects of it. Just a side note. Can Mr. MacKenzie give us a written report on this so we know exactly what is going on with Hands

Across the Merrimack with the CIP meetings coming up? I think there is \$250,000 in CIP this year.

Alderman Garrity stated I have asked Hands Across the Merrimack to appear before the CIP Committee for their funding sources and things of that nature. There is a \$250,000 allocation from the Mayor's Office but I have also asked the foundation to appear before the CIP Committee because I think it warrants a lengthy discussion.

Alderman Lopez responded that is great but what the Alderman was saying about the state and federal funds if Mr. MacKenzie can check into that and provide that information that would be great.

Alderman O'Neil stated I have a couple of items that are not necessarily related to revenues. I know at last week's meeting and this may have come up earlier but I want to make sure I am clear on this that at last week's meeting the Mayor said if departments wanted to meet with him they could to get a clarification on how he arrived at the numbers for each department. Is that a correct statement?

Vice-Chairman Gatsas responded you are asking me to cross a line that I think...the budget is now in our hands and I think what we should be doing is looking at the departments and moving forward with what we expect or what we think is the correct number or bodies that they need in their department. I think that for us to have departments go back to the Mayor to move forward...I am trying to take this to a different avenue. I think we should be looking at what their request was, where we should go and how we are going to get there.

Alderman O'Neil stated I know we have many of the departments scheduled to come in at various times over the next few weeks. Can we get information from the departments as soon as possible on where they believe they stand and not wait until two days before they appear?

Vice-Chairman Gatsas responded I agree. The request that I was going to give them tonight with everybody's approval as we go forward is for them to give us a requested budget and then also to give us a budget with a 3% reduction from where they were last year and tell us how they are going to get there. If someone is looking for another number, let's have them do those numbers as we go forward. In other words the request would be what their budgeted amount was, what their request is of this Board, what they would do with a 3% cut from last year's number and what they would, as Alderman Shea said, do to cut that budget 3%.

Alderman O'Neil asked would one of those also include what happens with the budget as proposed by the Mayor.

Vice-Chairman Gatsas answered again what I am trying to say is we take a different alternative and create our own budget here.

Alderman O'Neil stated but those are the hard facts on the table right now – the number the Mayor recommended.

Vice-Chairman Gatsas replied they are and certainly I don't have a problem if that is what somebody wants to do.

Alderman O'Neil stated I would like to see that in that mix. That could be in some cases worse than a 3% cut or better than a 3% cut. I don't know that.

Alderman Lopez stated I think it is very important that we have that information. I don't know why we can't have that information. It is going to help you and it is going to help us. I understand the 3% and that but this is the first budget in six years where we didn't have an explanation. It is very difficult to go through the numbers. I have been through some of the numbers and some of them don't make sense but if there is an explanation that is all we are asking for so we know where we are going. We have to get on first before we go to second.

Vice-Chairman Gatsas responded I understand where you are going but I am just trying to take this...I want us first to understand how we create a budget.

Alderman Lopez replied well we understand how we create a budget.

Vice-Chairman Gatsas stated it seems as though we have more of an interest in where the numbers are from the Mayor.

Alderman Shea stated yes and I would kind of build on that because if we do, in fact, adopt the Mayor's budget there has to be justification in our minds as to why we do adopt his budget. That is what I am thinking. In other words members have been quoted in the paper that they are supportive of his budget so if that is the case then it would be indicative of these people to have some understanding of what they are supporting in terms of different departments. That is only logical in my judgement and comparative analysis as far as working through different problems and ideas. I am all in favor of having that.

Vice-Chairman Gatsas replied well we will have a fourth column and have the Mayor's numbers that were proposed and an explanation from the department.

Deputy City Clerk Johnson stated I did send something out to the departments and I am kind of wondering...you just stated a 3% cut from last year but we did send something out asking for a 5% cut.

Vice-Chairman Gatsas responded I apologize. You should have sent them a corrected one. I am looking for a 3% cut. The 2% cut was on top of the one of two years before that so I am just looking for 3%. Is anybody looking for 5%? What we are looking for is four columns. One, what the request was by the department. Two, a 3% cut on the FY06 budget and the Mayor's number and a comparison of what would happen on either one of those three scenarios. Is there anything else?

Alderman O'Neil asked did you say their current budget.

Vice-Chairman Gatsas answered I said their request. The department's request, a 3% cut from FY06 and the Mayor's budget with an explanation of what are the circumstances on each.

Alderman O'Neil stated I thought you mentioned a fourth column that said what their current budget is so we have some comparison on one page.

Vice-Chairman Gatsas responded are you asking for their FY06 budget that we are in.

Alderman O'Neil replied yes.

Vice-Chairman Gatsas stated okay we can add that also.

Deputy City Clerk Johnson stated level funding you are talking about.

Vice-Chairman Gatsas stated that would be level funding if that is what Alderman O'Neil is looking for.

Alderman O'Neil responded I am just looking for a comparison on where they are at this year. That is not necessarily level funding, just where they are at. Also if I may and this might be appropriate for Alderman Garrity but can we request some explanation from either the Mayor and/or Finance on the thinking behind cutting the bonding 50% if I am correct? I have always been led to believe in recent years that \$20 million over a two year period was actually a very conservative figure and that is how we have always proceeded. We are now looking at \$10 million over two years so if there is some background information that can support why that is good or why it is not good that would be helpful to me as a member of the CIP Committee and to the full Board.

Alderman Garrity stated without speaking for the Mayor's Office currently it is \$10.3 million. There are some reserves in there for the Granite Street project if some earmarks don't come down from the federal government for that but without speaking for them I believe he is trying to reduce our capacity to go out for loans. You call it a bond but it is a loan and it reduces our tax rate when we go out for less loans. Without speaking for him I know that I am hearing \$16 or \$18 million is the limit for that and things of that nature. Speaking about the Mayor's budget may I speak to that and the request for the Mayor's details? I believe at the last full Board meeting there were a number of Aldermen who asked him for details and he said to call him. I am quite sure that that information is forthcoming. He is a former colleague of ours, the Mayor. He understands City departments and things of that nature and I am quite sure that it is forthcoming and I am quite sure that it is going to be a part of this budget process as a Board of Aldermen.

Alderman Lopez stated I think you can call him if you want but he also said he would give us a written explanation.

Alderman Garrity responded I think that is forthcoming.

Alderman Lopez replied I hope soon.

Vice-Chairman Gatsas stated I have asked Kevin Clougherty to take City expenditures in a five year period and plot them against School expenditures for a five year period so we can take a look and see where the tax dollars are being spent and how they are being spent at least on a comparison basis so that we understand that as we move forward. He is going to do that plotting so that we see it and understand how those dollars move forward.

Alderman Shea stated I think, too, or it is my understanding that the School District receives a lot of federal funding. Are you interested in just the expenditures or are you interested in the total expenditures, vis a vie how much funding they receive from the federal and state government because I think their budget of whatever amount is obviously divided into different segments. They do get foundation aid and aid from the federal government and tuition from other communities. Are you going to include that?

Vice-Chairman Gatsas responded yes. The letter that I just had Carol send out is going to ask them to show all federal dollars, state dollars, tuition dollars so that those are...

Alderman Shea interjected I think it is good in terms of how much expenditures the taxpayers are putting into the tax rate for the schools, vis a vie City government and I think that is very essential.

Alderman Lopez stated there are two things I want to go back to. One of the old ones where the Highway Department, Frank Thomas, we talked about Granite Street and they are going to need \$5.5 million and the breakdown as to whether or not it takes awhile to get bids and where the contract is going to be before we...I know the Mayor is probably working with some of the Senators to get some more federal money but what the timeframe element is there where we have to commit the \$5.5 million for the Granite Street...we need an explanation on that. The other thing is the legality of taking \$1 million out of the one time account. I think we need that answered. I know it is buying new equipment and all of that but there are some reservations that at least I have on doing that because when Diane Prew needed money for new technology they couldn't do that. It was an operational thing. I would like to have some good clear legal advice from our City Solicitor as to whether or not that is legal to do that.

Vice-Chairman Gatsas responded the other thing I think we should see is every one of the accounts that we have as standing accounts with dollars in them, see how much those dollars are and see what the ordinances are to allow us to deduct from those accounts. If Kevin and Tom could work together and get us a list of every account that we have and the amount of money that is in it and the availability and how the Mayor and Aldermen can get to that account and what the vote must be so we can understand it.

Alderman DeVries stated I would also request that Finance take a look at a few of the items in the CIP proposal that we were asked to bond this year that my recollection if it is correct previously were cash pay items. I think some of the road maintenance programs previously had been cash paid and it seemed to catch me off guard that we were looking to bond that. That is a more expensive way to pay for those programs so I would like them to take a look at the items and the bonding capacity and tell us if there are any of those traditionally that have been cash pay and if we are leaving them as bonded items. I think we heard from Finance in the past that our City...the bonding agencies when they rate our City they have an expectation that we cash pay maintenance items so I would like to have an explanation from Finance as to why some of these maintenance projects would vary from past recommendations from you. I also have questions...we are going over the revenue report that we received tonight?

Vice-Chairman Gatsas responded we are going to have some conversation on it. I think these revenues are the same as what was presented to the Mayor. Correct me if I am wrong but are anybody's revenues that we have before us different than

what was proposed to the Mayor? There are some I guess and the rest didn't take the opportunity to think outside the box because somebody must have something else creative out there that we can at least joke about or talk about. I would suggest that everybody think a little harder and think of a way that you can find a revenue source that you can bring to this Board even if it is \$20,000. I think it is important that we think about some different ideas that somebody might look at and say that is something different let's try it. If we want to go through each one of these pages individually if we have question on them I don't have a problem but I certainly would like the departments to get creative and think a little bit beyond and bring some new ideas to the table. I know that sometimes it is scary and hard to believe but there has to be something different out there that we haven't tried.

Alderman Lopez stated just one item and maybe Tom Clark can look at it. I was talking to Joan Porter today and the registration assessment of \$5...the Finance Department said they can go to \$7.50 so there is a discrepancy here and I would like to get that cleared up as soon as possible.

Vice-Chairman Gatsas replied we are going to go through these on an individual basis and discuss them as we go.

Alderman DeVries stated the point of my question was I did go through the report and I did have some comments marked up and I didn't want them to be lost in the mix here and that is on the agenda tonight for discussion. I assume that we are open for some of these questions now or are you trying to complete one round and then we will start?

Vice-Chairman Gatsas responded we will try to go around and see if anybody...I think Alderman Smith and Alderman Garrity had their hands up.

Alderman Smith stated you said the Mayor is going to give a written explanation or reason why he has these different cuts in the budget. I want to know where the 3% reduction comes from.

Vice-Chairman Gatsas replied I am asking the departments to come back with a 3% cut of their FY06 budget so that we have an idea if we put that in place what that number looks like and what it means to that department.

Alderman Smith responded so you are advocating a 3% reduction.

Vice-Chairman Gatsas replied I might advocate 5% if they don't come back with tough enough explanations of what the 3% is. You might have one department that you want a 7% cut in. I think that is the place we start looking and allow the departments to use its common sense on how it wants to move forward.

Alderman Smith stated I would like to have an explanation for everything. If that is the case, then we have to itemize the whole budget.

Vice-Chairman Gatsas responded I don't disagree with you Alderman.

Alderman Shea stated there have been substantial cuts in certain departments and when I was mentioning the implication, for instance, the Parks & Recreation Department obviously the Mayor suggested that they lose their accountant and we all know around the table here where these cuts are and I think in addition to expenses and in addition to revenues there has to be the impact of how the departments that are losing individuals are going to cope or how they can cope with less people in charge. For instance, if we lose our negotiator I would like to know how that is going to impact future contractual agreements with labor unions and so forth and so on because obviously whether the man who does negotiating now should appear before the Board and say this is what the implications might be there...so that we are prepared in the event that obviously there isn't any money to rehire these people and so forth. That is what I am interested in as well.

Vice-Chairman Gatsas replied I think that is going to come with...if you tell them to cut 3% from their FY06 budget I think you will see that. I think departments ought to be prepared to talk about their vacancies, what that timeframe for vacancies is, what is the full complement, what is the complement that you are at...I think those are all issues that we need to have discussions on.

Alderman Shea asked and if a department such as Police are adding officers but there are anticipated retirements I would like to know that as well so if we are looking to maintain a police force equal to our community's needs I think that should be...we could go on about other things.

Vice-Chairman Gatsas answered I agree with you because I think the one number that we asked schools for is how many retiring teachers do they have. We have never asked that in the City budget – whether departments have seven or eight people that are retiring. We never know that because obviously that number from what the gross salary is to the next salary of that person coming in is a much different number. I don't know but I can tell you that the one question that I would ask at least for the HR Director and Finance to try and put together is if we offered early retirement only to the non-affiliates because I know we are still in contractual agreements and we would look at those and see what that number would look like and maybe it is a number that it might be a road that we might go down if the Board so wishes and also it opens up an avenue where I think we are talking contracts in a year and that may be an opportunity to start talking about it there. I think that is an opportunity that when you start looking at it, early

retirement is a way that some companies start looking at how do you move people around.

Alderman Garrity stated I know that some of my colleagues have brought up the CIP budget tonight but we have a separate process for that and it is scheduled on April 26 and 27. We are going to be spending a lot of time together in the next six or eight weeks so if we can just keep the CIP budget to those two nights we can solve all of those problems hopefully in the two nights we have scheduled.

Alderman Roy stated I thank the CIP Chair for making that statement. We do have a lot on our plates but it is good to get the information ahead of time especially with the logic from the Mayor's Office so that when we get to those meetings we can address them. We were going through requests earlier of what people would like to see. The Mayor stated that he has a plan to unveil in a couple of weeks regarding the Aggregation account. That could play into our budget significantly so I would like to see some information either from the Mayor's Office or Finance on how that would terminate. I think it has been a sore topic for many Aldermen for many years and I would like to see how we can do away with that and what the impact to the taxpayers will be. The other request that I would like to make of departments is along the lines of their facilities and as far as Building Maintenance goes what impact it would have on the schools if the Mayor's budget is enacted. I have heard statements like air conditioning systems would need to be turned off for part of the year and security wouldn't be there and heat would not be able to be purchased at current rates. I would like as departments come forward for us to talk about usage of facilities and location of programs if things do get shifted around as well as how it would work within the budget that the Mayor presented. A question for Vice-Chairman Gatsas. The 3% decrease is that from the department's requested or the Mayor's proposed budget?

Vice-Chairman Gatsas responded from the FY06 budget that we are in right now. A 3% reduction.

Alderman O'Neil stated that was the exact question I was going to ask because departments have contractual obligations in the FY07 budget but you are saying the 3% is not off of that it is off their current budget.

Vice-Chairman Gatsas replied correct.

Alderman O'Neil stated so in fact it is going to be more than a 3% cut because there are COLA's in there and merit increases for a majority of the employees. I just want to make sure I understand that is what the number is going to be.

Alderman DeVries stated when we talk early retirement I know that is an item that Alderman Lopez and I had meetings on when we were working on budgets in past years trying to find out what the viability was. Sitting down with the HR Director at that point in time there were some issues unless you do eliminate the position so I would ask the departments that...you know any conversations that we have trying to figure out the viability of early retirement would need to have the position identified that they are saying could be eliminated in their budget. It is kind of two-fold. It doesn't make sense to pay out or offer an early retirement unless you do recoup through eliminating positions.

Vice-Chairman Gatsas replied well that is not necessarily true because if you have an employee that is in there at \$85,000 and you replace him with someone that is in there at \$40,000 you haven't eliminated the position you have just reduced the exposure.

Alderman DeVries responded maybe we could ask the HR Director or any other departments that might have some thoughts on that if they could expound on that.

Vice-Chairman Gatsas replied sure and I think it really comes down to...you know if schools comes in and says they have 35 retirees and we adjust the numbers to the new hires coming in...I don't think we on the City side have ever looked at that. The problem is that obviously we don't have the ability to know who is leaving in a timely fashion but I think if we look at what the averages were for retirees over the last five years we can at least put some sort of number in to say out of the X amount of employees we have in the City these many will be retiring on average.

Alderman DeVries responded I would just remind you that there are additional costs with the retirement – the vesting out costs, etc.

Vice-Chairman Gatsas replied I totally understand that. We just need to take a look at it and see what that number may play out to.

Alderman Shea stated I thought the School Department had to have letters of people intending to retire prior to and I don't know if it is March 15 but you could check with the School Department and find out if, in fact, they do have that clause still in their contractual agreement. I think that has allowed them in the past to start looking for people they need to fill vacancies in the different levels.

Vice-Chairman Gatsas replied but early retirement...this would be the same sort of thing that you would say your retirement package is available to you for the next 30 days. It is not something that you can say give me an answer in the next six months. Early retirement packages are usually something that are looked at in

a very quick window so you understand where you are moving forward and how you are getting there.

Alderman Shea stated I think you are talking in terms of maybe City employees because I think the School requires that clause in their contractual agreement. That is my understanding.

Alderman Lopez stated I think we are talking two different things. Alderman Shea is right. There are about 40 teachers now that have been identified that are going to retire in the School Department but the criteria of what we went through from 62 to 55 that is an easy thing to put together. The HR Director already ahs that and she can update it.

Vice-Chairman Gatsas asked any requests from the new sitting Aldermen that might help them.

Alderman Pinard stated all I can say is I have been going through pages and pages and I am sure we can do an awful lot of cutting. I have looked at travel and mechanical problems in the garages and some of those numbers are duplicating numbers so I recommend that everyone here take the time and go through page by page. That is the only way we are going to wind up with a tax cut.

Alderman Smith stated I know we have a hiring freeze right at this moment. Do you know how many positions haven't been filled in various departments?

Vice-Chairman Gatsas responded I don't know that Alderman Smith but I think that is something that the departments certainly will bring forward and talk about. I can't tell you what that number is.

Alderman Shea stated I think that Alderman Pinard brought up a very important consideration and that is what we are looking for. Any thoughts or ideas he can present to the Board that would result in the type of reductions that you are interested in so if you would bring those before this Board we would appreciate it.

Alderman Lopez stated I think it is an important question that Alderman Smith brought up and that is the explanation we are going to have to have from the Mayor because I think the last time I checked on this there were about 58 or 62 vacancies within the City. Some are in the enterprise system so that would leave maybe 45 or 48 vacancies and we don't know if those vacancies were taken into consideration when he put his budget together. That is very important because as you and I and the rest of the Board know department heads sometimes don't fill vacancies in order to maneuver their budget and have that flexibility so they can operate their budget. I think it is very important along that line. I think also...I

am just wondering is there anybody satisfied with their budget? If they are all satisfied we can go home.

Vice-Chairman Gatsas responded just so you know what we did at the state level and certainly I think that some of those comparisons should be used, is we looked at each department and the vacancies that they had and the amount of bodies that they have actually had in the process. You find that those vacancies are just there for long periods of time. I can think of one department that had 1,200 employees as their allocation but never had more than 900. So until those vacancies are filled we don't know what that aspect is other than us having dollars in that line item for payroll and benefits. I think that it is important that we go through and say okay your complement is 20, you have 5 openings, can you live with the 15 and let's eliminate them and get them off the top line so we understand where it is.

Alderman Lopez replied I agree with what you are saying 100%. It is just that it has been our policy as a Board that we fund them what their complement is so if we are taking a new and different approach we have to know whether or not the 62 vacancies are in the Mayor's budget so we don't add another 62 vacancies. That is all I am asking.

Vice-Chairman Gatsas responded I think that conversation will come with each department as they come before us. We are going to hear it firsthand from them rather than somebody else. Ginny do you think you can work with Finance to work up a number on early retirements and what that number might look like?

Virginia Lamberton, HR Director, replied I think that depends on what you want to do. It is not just something you can pull out of the air.

Vice-Chairman Gatsas responded I think that you are the expert and if you put a proposal together that said I think as the Human Resources Director this is what we can offer people as an early retirement incentive and this is what I think we can get...I don't think I can put those together and neither can anyone...

Ms. Lamberton interjected we can and it is funny because I heard a rumor today that the Mayor had sent out an early retirement proposal to certain people. I don't know if he is still here or not. I didn't get one.

Alderman Lopez stated that is a good question. Can you just do it for certain people or does it have to be opened up?

Vice-Chairman Gatsas responded I am just talking about non-affiliated employees.

Alderman Lopez asked why not everybody.

Vice-Chairman Gatsas answered because we are in contractual agreements with them and I don't think you can get into that at this point.

Alderman Lopez replied I don't know about that.

Vice-Chairman Gatsas stated well I am not your labor expert but I don't think we want to go there right now.

Alderman Roy stated to somewhat reimburse what the HR Director said, this Board being the policymakers needs to decide factors like how many years of service, what age, how many years before retirement and those numbers greatly impact how many employees, whether they are non-affiliated or union affiliated or if you want to narrow it down to just non-affiliated, how many employees could be impacted. There are different scenarios that can be run with a simple trip to the Finance Department but it is up to this Committee to look into at what level we want to operate. We can offer it to employees of the City with over 15 years of service and at age 45 or 15 years of service and at the age of 46, 47, 48 and the more narrow the scope, the more narrow the program gets and, therefore, the less savings and less cost to the City. It would be up to this Board to really narrow down who and what offer we want to make and the benefits and set that policy and then have the director run scenarios from there.

Mr. Clougherty stated we can certainly run some scenarios on age and years of service just to give the Board some indication of the universe of what we are talking about I would think as a starting point. I realize that the Board is going to have to make some decisions about the program but we could take a look at some different scenarios just to give you an idea of what the magnitude of impact might be in terms of people affected and dollars. If you want us to do that I will be happy to sit down with Ginny and take a look at that.

Vice-Chairman Gatsas responded I think there are some different...obviously you folks being the experts I think that you can come to us and say somebody with five years of service at 55 is not somebody we are offering a package to but I think you being the experts you can develop something that you have seen out there that would call for an early retirement and what that might look like and when it comes back the two scenarios may be something we can't afford but I think those are at least something we should look at.

Alderman Shea stated there is a subsidy too when somebody retires so when anybody prepares something of that nature they have to include that \$200/month subsidy for any employee that has been employed by the City for a certain amount of time.

Alderman Smith stated talking about retirement I think you are going to have to go back to the Board of Trustees of the Retirement Board before you do anything because they will have to allocate some of that money for early retirement because the employee pays so much and the City pays so much.

Vice-Chairman Gatsas responded again I am just leaving it up to the experts. I think we all have a little bit of knowledge but I think if somebody comes forward with a plan and says to us this is what I think is available I think we will have a better conceptual idea of where we are going.

Mr. Clougherty stated I think a lot of what has been discussed here is accurate. Certainly what Alderman DeVries said is that there are a lot of moving pieces in whatever time you want to do this. We could take one scenario and put it out in a format so at least the Board would be looking at all of the pros and cons and the numbers that have to be inserted in anything like this so we can at least get that in front of everyone and you can use that as a starting point and say okay I like this or I don't like it but we could keep it simple like that to start. I think that is something that we can bring back to the Board pretty readily.

Vice-Chairman Gatsas replied all I am looking for is an opportunity for us to look at something. They may come to us and say that it is a \$50 million cost and this Board can say I don't think we want to spend that kind of money or we can free up 40 positions and it is going to cost us X amount of dollars. I think they are just opportunities that we look at as a Board to understand that maybe next year is a year that we could do it but I just want to make sure that everybody has the ability to see those numbers.

Alderman Roy stated if we were to look at numbers I would like to look at non-affiliated and affiliated and get a report either from the Solicitor or the Chief Negotiator. I would like to look at it as being fair for all.

Solicitor Clark stated Alderman Roy as far as unionized employees any benefit you are going to offer them whether it is early retirement or you just want to give them a bonus you have to negotiate it with the union.

Alderman Roy responded that is my understanding and again I am glad that the Solicitor is here to answer that but if it is a benefit to the City and a benefit to the employee I doubt that the unions would negotiate this down so I would like to look at it for what the impacts are on all employees and then we can make a decision on who we offer it to.

Vice-Chairman Gatsas asked can you find out, Solicitor Clark, if it is something we can do before somebody does all the work.

Solicitor Clark answered if you want to give a benefit to the union employees you have to negotiate it with the union. You can't just offer it to them and the union employee can't accept it. It has to go through the union. They have to have a vote on it and accept it. They will negotiate with you and each union is going to negotiate a different package.

Alderman Roy asked but it can be done as part of this budget process.

Alderman Lopez stated I think it is a good point though and I hope they come back with some information. Just jokingly I know there are five employees who would leave tomorrow if you gave them \$50,000.

Vice-Chairman Gatsas stated let's start forward with the revenue sources so that we can go through these. Alderman DeVries why don't we go through the ones you have questions on first. Well why don't we start with them. Does anybody have any questions on the first one?

Alderman DeVries responded absolutely. The first one I have is from the Finance Department and I do have questions on that. On the top of the page and I am hoping it is a short answer but the first sentence he started off with that the revenue sources available for cities and towns in New Hampshire are contracting and not expanding and if you have a short answer I would like to know why you are saying that. Is that federal dollars disappearing?

Mr. Clougherty replied no it is just the traditional sources of revenue as I listed in the second paragraph - your property taxes, your interest related items and other small fees. Those really haven't changed much.

Alderman DeVries asked in the very last paragraph you mentioned some additional sources of revenue that you were suggesting we look at. Certainly we heard about the increase of the auto registration assessments from \$5 to \$7.50 and that is outside of the legislature because that is already allowed correct?

Mr. Clougherty answered right. What we are talking about there, Alderman, is there is a \$5 max that we are at now. There is \$2 for the reclamation and then there is an amount that you can put on top of that. We actually passed that at one point if the Board remembers. We actually approved that increase for auto registration and then three months later repealed it. I would be remiss if we didn't and I think the Tax Collector is again saying that is something that you can do. That is one consideration.

Alderman DeVries stated and the rest of that paragraph, the payments in lieu of taxes from EPD and Water Works appropriations I am not sure I have heard that one before. Do you have some details?

Mr. Clougherty responded what has been done in other places is you have...one of the reasons that we have a low water rate as compared to other cities and towns is because other cities and towns have to make payments in lieu of taxes as part of their fees to the respective towns. For example, you look at Auburn. We are making payments to them so they are getting a net increase but we are not doing the same. We are not getting a payment to the City of Manchester as we are making a payment to the Town of Auburn. So there is that question. Water Works has looked at this a number of times over the years and they have responded that the City gets its water for free. They don't charge us for water for school uses and for Fire and other departments. It has always been their calculation that that is offset. That if you were to do a payment in lieu of taxes it would be offset by the increase that you would have in the billing. Again, it is something that has been discussed over the years and we would be remiss if we didn't say that is something that other cities and towns are doing. If you want to move away from a tax based approach to a more fee based approach that is something you could consider.

Alderman DeVries asked have you recently detailed what you think that would be so that we can see the offset of what the cost might be. Have you done that recently?

Mr. Clougherty answered I have not done that and as I said a few years ago the Water Department came forward with their justification and the Board decided that based on that information they didn't want to pursue it.

Alderman DeVries responded it might be valuable asking for that though. I think I already know what is happening on EPD and water bills with all of the construction projects that they have. That might be worth detailing. We already know the detail on the parking enterprise and of course everybody's favorite, the bag and tag. I think we have seen that in recent history so I don't need further information on that.

Alderman Lopez stated just a clarification on this \$7.50. Could Joan Porter come up so there is no question because there seems to be? I just want to clear it up. Do you have the report you submitted Joan?

Joan Porter, Tax Collector, responded I do. On the report that I submitted I printed all of the statutes that I referred to so if you would like a copy of all of those...

Vice-Chairman Gatsas interjected let us just try and...I don't want to get into your line items, Joan. I am just looking if we can go from the \$5 allowable to the maximum \$7.50.

Ms. Porter stated the MTI fee is under RSA 261:153 and it reads that the maximum fee charged under this shall be \$5. That was what I referred to on my chart. If you want to change that the statute needs to be changed because the statute says \$5 for that fee.

Vice-Chairman Gatsas asked Kevin can you tell us how you got from \$5 to \$7.50.

Mr. Clougherty answered the \$7.50 I was talking about included the...you get the basic \$5 and I agree that is maxed out but you have the \$3 reclamation that I did include...

Ms. Porter interjected so you are combining fees.

Mr. Clougherty responded right so if you took a look at the allowance for the surcharge that could go on, which has not passed I think for purposes of the last time this was introduced and went to \$7.50...

Ms. Porter interjected the one you are talking about I think was a parking trust fund and that one is...the way the statute reads for the parking trust fund fee, which is separate from (inaudible) and separate from municipal transportation, the way that one reads is you can charge similar to the mill rate so you can charge \$5 per \$1,000 on a brand-new car for the parking trust fee and the second year it would be \$4 per \$1,000 similar to the way we charge on a motor vehicle at \$18 per \$1,000 for a starting rate. We tried that and that is when we did it for a full 12 months. We didn't do it for just three. We did it for a full year because we wanted to make sure that everyone hit it once but it was such a controversial fee that they eliminated it because if you take \$5 per \$1,000 on a \$20,000 list you are going to pay an extra \$100 for a parking trust fee and that is why we never went to the mill rate structure. What we use is a flat rate structure and I have that on my list where the flat rate structure that the Board approved is you charge now \$2 per vehicle for the parking trust fee instead of using a \$5 per \$1,000 or \$4 or whatever.

Vice-Chairman Gatsas asked so it is a flat fee number.

Ms. Porter answered you charge a flat fee of \$2. You could go to a flat fee of \$3 or \$4. There is a concern at the lower limit because there is a lower limit so we just have to be careful that we are not charging \$4 on a trailer that is at a lower limit and that sort of thing but programming is part of that and we can do that.

Vice-Chairman Gatsas asked in your numbers do you have any of those allocations of changing those as new revenue sources.

Ms. Porter answered I did not suggest changing any of them no. I listed all of them for you so that if there were ones you were looking at changing that required statutes you needed to know that and the ones that don't require statutes I have those in a separate category but I did not increase them.

Vice-Chairman Gatsas asked if you did increase them you didn't show what the new revenue would be.

Ms. Porter answered no.

Vice-Chairman Gatsas stated maybe once we get to that sheet you can give us an idea. Any other questions on that first page?

Alderman Lopez stated the second one is the Water Works who I think appeared before us two or three years ago in reference to what Kevin mentioned. If they charge, they are going to charge us for water and I know that Parks uses a lot of water so be mindful of that.

Vice-Chairman Gatsas stated I think we need to at least look at it. I don't disagree with you but I think at some point with the new plants that are being built and the new reservoirs that are up maybe that number is a wash and maybe it is not. Maybe we should at least take a look at it.

Alderman Roy stated I would ask the Assessors to look into...the properties held by Water Works Lands and Buildings and the School Board just recommended to sell 16 acres. In going through the GIS system and looking at City controlled land, which has been tackled by a number of people over a number of years including the Clerk's Office, there are a number of properties that are held by the City and I would ask the Assessor's Office to work with the Clerk's Office to establish what City land is potentially for sale and any City properties that are being held I would like through this budget process to be funneled out to the departments holding them and get a response as to why they are being held. This would also include Water Works lands.

Vice-Chairman Gatsas asked anything else on Page 1. We are going to be here for awhile. Page 2?

Alderman Shea stated I would be interested in the Wall Street Towers contract. I am not aware of how much we pay them and how much the impact is on our tax rate and so forth and when it does expire in 2008 what does that mean? Could you bring us up-to-date on that?

Vice-Chairman Gatsas responded I am sure that we will find out that the fee that I talked about a year ago that we are subsidizing will come to fruition. I think it was either \$94 or \$104. I am not sure which of what we are paying and why we wouldn't have sat down and tried to negotiate this contract out a lot sooner.

Alderman Shea asked wasn't that the Hughes fellow that had something to do with that or am I mistaken.

Vice-Chairman Gatsas answered you are correct. He is one of the owners.

Alderman Shea asked could the Finance Office help us out.

Vice-Chairman Gatsas answered I think we should find out...obviously if it expires in February 2008 if we try a lumpsum settlement what that would save us in the long run.

Alderman Shea asked if they could do that, that would be helpful. Buy them out if we can I guess.

Vice-Chairman Gatsas stated what I would also ask them to do is Finance did a great job with that list of properties. What I asked them to do is go through and take a look at which properties may be delinquent and which ones we might have the ability to be calling notes on. There may be some properties that have been sitting there an awful long time that have mortgages that are owed to the City and there has never been a payment and maybe we can negotiate something out and get those dollars into the City even if we negotiated them at a different rate just so that they are here in front of us.

Alderman Shea stated I might be off base here but I wanted to inject this too. There is a tremendous amount of non-profits existing in the City here now. It seems that every year more and more are added to the list and I think that somehow or other first we have to get a handle on the non-profits and then I think maybe we should appeal to them to maybe contribute a little bit more to the tax rate. I mean some of these non-profits are very lucrative as far as how much money they are able to maintain. I am not sure...I know that it is not covered in

this but I was wondering if this was a source of information. I know this goes back to Bob Pariseau who raised this continuously. It just seems that the number of non-profits have increased to the point now that every time I look I see more and more non-profits existing. It seems everybody puts non-profit on a residential place and opens up their own church or place of worship and so on.

Vice-Chairman Gatsas replied maybe we can ask the City Solicitor to give us a clearer understanding of whether the "in lieu of" is something that we can change at the City level or if that is something that must be changed at the state level and what the process would be. If you could get to us, Tom, whether "in lieu of taxes" is something that we can...I don't know if that is the Assessors or if that comes from the Solicitor or if you need to work together to come up with an answer. Maybe you have one right now off the top of your head.

Solicitor Clark asked are you looking for whether or not we can require payments in lieu of taxes from non-profits.

Vice-Chairman Gatsas answered I think that "in lieu of taxes" is an amount that comes to the City. I don't know whether that is an adjusted number that we put into place or whether that is just a number that the non-profit decides to send the City or how that allocation "in lieu of taxes" is derived.

Solicitor Clark responded a lot of that is derived through state statute. I would be happy to sit down with the Assessors and get you an explanation.

Alderman O'Neil stated just on that subject and I don't know who this is for but do we have any idea...I know over the years we found some that pay and get very little service for paying. We have some that don't pay and get a lot of service. Do we have any handle on that?

Vice-Chairman Gatsas replied no and that is a good question. I guess we need a list to be provided. One what the total dollars are from the Assessors. I am just looking to see whether it is a state law that needs to be changed or whether that is something within the City that we have the ability to do.

Alderman O'Neil stated I don't always feel it has been equitable. I think some non-profits have paid more than their fair share and gotten little in return. They don't request very much from the City and then there are others that pay very little and we provide an awful lot of services to them.

Alderman Lopez stated I think we are going to reinvent the wheel here. The Assessors are here and they provide us a report on "in lieu of taxes." They have told us so many times that it is a state law. I think there was one recently that went

on by the state regarding the nursing home up on Hanover Street. Under state law...they have all of that information so I wish we could get the information from them and if we have to change the state law and somebody wants to put a bill up there and change the state law that would be fine but we can't be wasting our time if it is a state law. Maybe the Assessor wants to add something to that.

David Cornell, Chairman, Board of Assessors stated you are correct Alderman. There are certain state statutes that dictate whether a property is exempt or not. As far as the payment in lieu of taxes, that is negotiated solely up to the entity that is non-profit so by state statutes if they are exempt, they are exempt. So they don't have to pay taxes based on state law. Those who pay a payment in lieu of taxes are basically saying we realize we don't have to pay taxes. We want to be a good citizen. We know we utilize some of the services here in the City so we are going to go ahead and make those payments but it is a voluntary payment that they do give the City.

Alderman Lopez asked so you can't demand that they pay any taxes then if it is under state law. It is just a courtesy that they give us?

Mr. Cornell answered right. Certainly we try to negotiate and explain the need if they can why it is in everyone's best interest that they do pay but if they put their foot down and say we are not paying by state statute they don't have to pay.

Vice-Chairman Gatsas asked are you saying that every non-profit is exempt by state law.

Mr. Cornell answered no I am not.

Vice-Chairman Gatsas asked so is there a formula for the ones that aren't that are "in lieu of." Is there a formula set-up that says this is the amount that you have to pay? Who derives that? Do they come up with it?

Mr. Cornell answered we look at...an entity can be a non-profit but based on their Charter they may not qualify under state statutes to be exempt. So they can still be a non-profit but they may still have to pay taxes based upon the Charter that they have set-up. If, based on their Charter, they are technically exempt based on state statutes then they are not required to pay taxes but many entities we have entered into an agreement with where they do make a payment in lieu of taxes.

Vice-Chairman Gatsas asked how do you derive that number in lieu of taxes.

Mr. Cornell answered sometimes they pay everything but the state portion so they will pay the local municipal portion. That is the arrangement we have with many

of them. Some of them like NH Housing they pay 10% of their rents so whatever rents they collect annually 10% of that would go for the payment of taxes.

Vice-Chairman Gatsas asked is that a contract or is that...

Mr. Cornell interjected most of those are an agreement that has been in the past and will go forward in the future.

Alderman DeVries stated I don't have a question for the Assessor. I am moving on just a bit but while we are talking about or picking on the non-profits here as a potential revenue source I guess my concern is there has been additional revenue that we have left on the table as a City and that would be through the Highway Department small commercial businesses. Most of our commercial businesses do pay for private trash hauling. There are some small commercial businesses that do receive the luxury of having their trash picked up curbside. I would like the Highway Department to estimate the revenues that we are leaving on the table by not having some sort of a charge. Before I would go and look at the non-profits I would certainly look at those for profit businesses that are receiving something for free and that would be one that comes to my mind.

Alderman Roy stated in the Solid Waste Committee we are calling for a meeting during this budget process. The Highway Department has been working on what we are calling a customer list and where the breakdown is of who should receive services in the City and they are going to adjust revenue numbers and savings to the City according to that and naturally it is going to be a vote of the Committee and then to the full Board but that is one of our large concerns regarding condominium complexes, large commercial buildings, etc. We did establish last year that small commercial businesses using one or two totes that did recycle could still maintain City pick up and recycling pick up and now we need to take it a step further and discuss the larger entities that are receiving our benefit.

Alderman DeVries asked can I move on to the next question. I am on to the City Clerk's Office.

Vice-Chairman Gatsas answered you jumped right over the...I guess what we will do is hold on to the Assessors until we get into their full discussion. City Clerk's Office.

Alderman DeVries stated I see you have made several notations. You are telling us a few items first off that you felt were over estimated for a revenue in the Mayor's budget. One being the cable TV fee, which I assume the first line says it is over estimated by \$125,000 in the Mayor's budget?

Leo Bernier, City Clerk, responded that is correct.

Alderman DeVries stated and the second one noted an increase of \$20,000 on certified records.

Clerk Bernier replied that is correct.

Alderman DeVries asked which would have an additional expense that would have to be built in to your budget and that is by state...is it state statute.

Clerk Bernier answered state law.

Alderman DeVries stated so that would have to have an additional \$13,440 as an expense item added in if we were to increase that revenue by \$20,000.

Clerk Bernier responded that is correct.

Alderman DeVries stated the third one...false alarm fees. It was increased by \$10,000, which I assume was above what you had given as a revenue projection and your comment was that you think it is going to be tremendously difficult to reach that. The third one was mechanical devices. Increase by \$35,000 above what you are recommending is a likely amount of revenue that you will see.

Clerk Bernier replied that is correct.

Alderman DeVries stated the sum total of the comments leads to a wider discussion for the Board, which is if we are building unrealistic revenue projections into our budget we are likely...we possibly could end up either with a shortfall of revenue that might trigger rainy day funds at the end of the year and I think that we need to hear from the Finance Department their comments on adopting revenue projections above what the department head is saying is a realistic projection so that we know we are making an educated decision to utilize rainy day funds at the end of the year if it is applicable.

Vice-Chairman Gatsas asked are you talking about the opportunities for increased revenue. The next line down?

Alderman DeVries answered no I am talking about...there were four items that have been given or that our department head is saying is not a realistic expectation of revenue, which to me means that at the end of the year we will have a revenue shortfall. That might be a good thing if our intent is to use some of those rainy day funds that we have been accumulated for a shortfall in revenues but I am

looking for an opinion from our Finance Director since he has told us in the past that is not a path he wants us to go down. It is just not a fair fiduciary...

Vice-Chairman Gatsas interjected I think what he is talking about is \$190,000 of new revenue and I think if you go down to his number he is projecting an additional \$400,000. So the net between where the Mayor is and where the department is...

Alderman DeVries interjected that is a separate item that I was going to pick up.

Vice-Chairman Gatsas stated I understand but let's not belabor the point. Let's look at the good things they are bringing in because we are constructing our own budget here. If they are bringing us \$400,000 in revenue that is the number we are going to use.

Alderman DeVries asked if I can have the Finance Director behind you answer my question first. Are we able to tap rainy day funds at the end of the year if some of these revenue shortfalls occur?

Mr. Clougherty asked are you talking about the fiscal year forthcoming if these budgeted numbers did not materialize.

Alderman DeVries answered correct.

Mr. Clougherty stated the rainy day fund as you know is based on the bottom line not on individual line items. So for example if alarm fees don't come in, that is not unusual. You are looking to where the bottom line ends and that is what we look at. If you look at a comparison year over year one of the things that I think we have talked about with the Board is we are just going into the last quarter of this fiscal year. We are going to have a good indication of where the revenues are for this year in another 30 to 45 days. If you take a look at some of the items that are mentioned here, it looks like we may make them this year. So I think what you want to do is with respect to revenues we have to be patient. We can talk to a lot of the departments tonight and get some ideas but I think you really want to be tracking at the Committee on Accounts level what is going on with respect to revenues both individually and bottom line. Over the last couple of fiscal years, the estimates in the budget have been within I think ½% or under ½% in terms of what actually came in so they have been really tight. Now in some years there have been adjustments but overall you have to take a look at the bottom line and that is what we are going to attest to. Certainly if we feel that there are revenues that are being proposed that have not been enacted when we go to DRA to set the tax rate in the fall we are not going to be able to include those. If there are revenues that are over inflated based on what we see as trends developing in this

final quarter we will alert the Board as we have done in the past to take caution but that is going to happen probably over the next 30-45 days.

Alderman DeVries replied that is fine. Thank you very much for the explanation. The only comment on the first four items I would have when we build our budget Mr. Vice-Chair please do not forget if we are continuing with the projections from the Mayor's proposal the second item, certified records, has additional expense fees that would have to be built into the budget and if we do this by state statute if we want to utilize...

Vice-Chairman Gatsas interjected I am looking for this Board to build its own budget so whatever that outcome may be we have the opportunity as a Board to vote on items as we go forward one at a time on what the wishes of this Board are when we move them forward. I think that is the concept that I am trying to get to but for some reason we want to keep going to the Mayor's budget. I am looking to say okay the revenue source that we are going to use is an additional \$400,000 from the City Clerk's Office. I hear what you are saying that we must add an expense to accommodate that so when we build this budget I think we should be doing those things.

Alderman Lopez stated I agree with you 100%. We need better answers. We need a referee here and I think we are the referees. The department head is saying and I know exactly what Kevin said but we are putting a budget together. He is saying that \$200,000 is unattainable. We need to build arguments at this point. Are they unrealistic numbers? If they are not unrealistic numbers, let's increase them to \$400,000 and get more revenue. In the end the rainy day fund if we don't make the money in the end it is going to come out of there. So if we want \$400,000 he is absolutely right that what is going to happen is when the DRA gets it they are going to say it is unrealistic and the taxes are going to go up. So we have to have that referee right now. We have a department head who is being paid big money to run a department and he is telling us it is unattainable so we have to sort this thing out.

Vice-Chairman Gatsas replied I understand that but we keep going back and regressing from where I am trying to get. I am looking at a clean white page of paper and the City Clerk is coming to us forgetting about what the Mayor put in his budget and the City Clerk is telling us that we can derive between \$400,000 and \$500,000 of new revenue if we put in two employees and do the City licensing. That is what he is telling us so on that clean sheet of paper I am taking the expert and I am saying by doing this we have \$400,000 of new revenue but we must add two employees.

Alderman Lopez responded I agree with you 100%. Those are the things we have to sort out.

Vice-Chairman Gatsas stated I am trying to sort them out and say that our paper is clean right now. That is the first thing that we have added. I am trying to take that clean white piece of paper and add all of the items that we can add as a Board and say we are moving forward and this is where we are on revenues.

Alderman Lopez asked at what point then would you say that we say okay well forget the first portion we are going to go with the department head's recommendation.

Vice-Chairman Gatsas answered as far as I am concerned the sheet is clean. If a department is giving me \$400,000 that is what I am using. So if my total revenue is \$1 million the department has just told us it is \$1.4 million. That is revenue for the City on how we move forward and then when we get the Assessors in maybe his number is \$1 million short and we need to fix it. I am looking to build a budget with a clean sheet of paper.

Alderman Lopez stated I agree with what you are saying. He is going to give us \$400,000 or \$500,000. I would rather go that way. I have questions because he is going to lose two employees but then get two more employees.

Vice-Chairman Gatsas replied we are only talking about revenue.

Alderman Lopez responded but we have to have all of the facts.

Vice-Chairman Gatsas stated I understand that but when we take the revenue side we are going to end up with all of these papers and say we have X amount of dollars...

Alderman Lopez interjected I will concede and go your way. We have \$500,000 from the City Clerk then.

Clerk Bernier stated well we will be presenting an ordinance sometime in May to address that issue and this Board will have to decide what the amount is going to be for licensing these businesses in the City of Manchester. We estimate that there are probably 11,000 businesses and what we did is we used the number of 10,000 and it costs \$50 for an application for each business. So we can have a database to work with these businesses. The revenue is estimated to be \$500,000.

Vice-Chairman Gatsas stated to get that \$500,000 we need to give that department two employees to work through this so I think that maybe some of those other

departments out there listening see a creative idea and maybe they will find a new revenue and we will add a couple of employees.

Alderman Shea asked can you run that by me again as far as how you are going to make up that \$400,000 or \$500,000.

Clerk Bernier answered in 1992 and I just want to give you a little brief history, the City Clerk's Office in 1992 proposed a business license for the City because there are a number of businesses and we get a lot of calls and we don't have the answers, etc. and we don't have a database of businesses at all. So what we discovered in 1993 was that we needed to pass some legislation so the Board of Mayor and Aldermen could implement an ordinance to address that. It is registering businesses in the City Clerk's Office. Right now that bill will be heard in the Senate on April 19. It just passed the House and we have a good feeling that you will have an opportunity to decide what businesses you want to register in the City of Manchester. What we derived with the application of \$50...on average it will be \$50. A larger business would pay more so we will set up a database for the businesses in the City of Manchester. We also believe that it could be an economic tool to derive other business to come to Manchester because they can identify different businesses and see if there is an opening for them to do business here in Manchester. It is a good tool.

Alderman Shea asked do these businesses know that they may be hit with a \$50 tax.

Clerk Bernier answered it is not a tax. It is a registration fee.

Alderman Shea stated whatever you call it, it is a fee.

Clerk Bernier responded we had the Chamber of Commerce endorse this. No one has complained about this at all. No businesses. No organization.

Vice-Chairman Gatsas stated the clarification Alderman Shea is if you remember when we were talking about these clubs downtown we had no ability as a City to say we are pulling your license you can't operate so this was the genesis of the licensing...

Alderman Shea interjected does this include all businesses.

Clerk Bernier stated that will have to be determined by the Board of Aldermen. It will probably go to the Committee on Administration or the Committee on Accounts. There have been discussions.

Alderman Shea asked so it hasn't been defined as to what would be impacted here.

Clerk Bernier answered no.

Alderman Lopez stated no matter what we do, whatever fees we raise, everybody is going to pay for it. Just remember that. The point that I am making is that everyone is going to pay for it. The restaurants will go up in prices and everyone is going to pay for it.

Alderman Smith stated I would like to request that the Internal Auditor be present when the City Clerk makes his presentation again because his recommendation was that they were under staffed and to hire a new employee and if we are going to go into licensing we are definitely going to need more employees so I would like to have the Internal Auditor here.

Vice-Chairman Gatsas responded sure.

Alderman DeVries stated I am ready to move on to another...my next question is for the Health Department.

Vice-Chairman Gatsas stated Chief Kane I noticed that you don't have any new revenues. There are no bake sales or...

Joseph Kane, Fire Chief, stated I was a little confused because she said the Health Department.

Vice-Chairman Gatsas responded well we did because you have nothing on here and I was just wondering if you thought of a bake sale or the corned beef and cabbage event if we added an additional \$5 to the price of the ticket...something like that.

Chief Kane stated what we did do was go over our line items with Finance and the Mayor and we did do some minor adjustments in regards to the Mayor's budget. What we also did was reenter a program where we threw our revenue stream up against other cities in the area just to make sure that we are on target and we found that for most of our revenues we are on the high end and there wasn't a lot of room. In regards to new programs, we do every now and then do a search and see what is going on nationwide to see if there is something out there and there wasn't anything that we are not doing.

Vice-Chairman Gatsas stated okay next we have Health.

Alderman DeVries stated my question was to ask for a clarification. I don't know that I need it tonight but the next to the last paragraph is talking about the ability to capture a proportionate share of the City administrative cost within the food safety program when there are fees or costs outside of the Health Department. I didn't feel that that one paragraph really gave me all of the information that I needed to make an opinion on what we need to do to address that situation. In the memo that you sent back to the Finance Department you had indicated at the very end of it when you were talking about the proposed food permit fees that they do not include a City indirect cost rate. If the City had such a rate to capture the food safety program's proportionate share of the City's administrative costs outside the Health Department the department would be able to apply that rate to permit fees and outside funded projects. Could you maybe expand on that for me because I didn't quite get what we needed to do as a Board?

Fred Rusczek, Health Director, responded part of our cost of doing business is our direct expenses from actually doing inspections or providing a service and part of the indirect cost that the Health Department faces are all of our back-up costs. Our administrative costs, the proportionate cost of City vehicles that we use and a proportionate cost of the space that houses inspectors and we are able to capture all of the costs within the Health Department because we have those figures but when you look at what the real cost of doing business is to the City for services that are provided it includes other costs that are supportive to the Health Department – Finance, HR and others. So the indirect cost on the City's side is something that could be tacked on as what is typically called an allowable expense and the same is true with any of our federal grants and what have you. They all provide or all allow for an indirect cost rate. In fact, I think the state collects 11% to 13% in indirect cost for all of its federal grants and we never...we capture what we can for Health Department indirect costs from our grants but we don't have a vehicle to capture the City indirect cost rate because there isn't one.

Alderman DeVries asked so in order for us as a Board to enact a policy we need to find out from somebody what the additional percent is that we are leaving on the table that is not included with this permit.

Mr. Rusczek answered correct.

Alderman DeVries stated I guess that would be the Finance Department that could give us some direction on how we can capture some of the other indirect costs. As I said, I don't need this answer tonight but somebody needs to give us some further detail so we know what policy needs to be enacted.

Mr. Clougherty replied just generally Alderman what has happened is you get a grant through the CIP. You get all of these different grants from the state and

federal government. You are allowed to take a percentage of that for administration. It has been the decision of the Board, and we have talked about indirect costs in the past, not to do that because they want to see all of the federal money going into direct services and they feel that by keeping the administrative costs in the operating budgets something that they could control so it wouldn't grow out of control.

Alderman DeVries stated I think we are talking food permit fees though. I think the for instance on grants was just a reference. Here the example is just on proposed food permits.

Mr. Clougherty responded certainly we can...the exercise of doing an indirect cost we have done as you know when we are doing the chargebacks. We have done those a number of times and that is something that we could do.

Alderman DeVries asked so somebody needs to give us an idea of the policy that needs to be enacted to increase those food permit fees. That seems to be the gist of the conversation.

Mr. Rusczek stated I guess we need to know at the department level what the proportionate share of cost is by employee, by service and probably by employee but...

Mr. Clougherty interjected traditionally what has happened is there is a federal formula that is allowed for a certain percentage and as long as you are within that percentage that is usually an accepted rate. We can get you some information on that.

Alderman Shea stated I think Alderman Lopez brought up an important point. When we adopt certain types of policies here at the Board level there is an implication on the part of any owner of a restaurant or food safety...I guess people in that area where they may be taxed because then they will raise their prices for people to go to their restaurants or their places of business and so forth. Will that tend to be a problem in your mind, Fred or is that something that wouldn't impact that?

Mr. Rusczek responded I think if you look at our permit fee structure it is proportionate so smaller places don't get hit that much. In fact, many of the smaller markets don't change at all but we are spending more time and we have a common purpose with food establishment operators to protect against outbreaks like Hepatitis A and what have you so generally speaking and if you look as a comparison to other communities I think we still have controlled our cost and we compare favorably with other communities.

Alderman Shea asked how much of a financial impact are we speaking about. Is it a substantial amount that we would get from this or is it limited?

Mr. Rusczek answered overall based on our current permit fees we would make about an additionally \$30,000.

Alderman DeVries stated I would like to ask an additional question since the Vice-Chairman is not here. In referencing the comparison between cities, Fred, that you drew our attention to on one of the later pages we can see that we currently charge say Fratellos or any restaurant \$330 and we are proposing an increase to \$500. We see that in Portland their fee is \$1,265. If you look at the one above that and I am not sure if this is public knowledge...is this public knowledge?

Mr. Rusczek responded yes we just picked a sampling.

Alderman DeVries stated the one above that you can see \$300 and we are proposing an increase to \$500. Portland charges \$1,600. Nashua charges \$1,500. It doesn't sound like the minimal increase we are looking at is that significant. I just don't know that the food prices at our chain restaurants are that much different between Nashua and Manchester and somehow it is absorbed.

Alderman Roy stated Fred I appreciate your thinking with looking at updating some of your fees but I have a concern that is worth a little more than the \$30,000 increase you are proposing and that is the taking out of school nurse chargebacks from your revenue. Granted you passed through all of the those salary amounts but are there other administrative costs or training costs or supply costs that are absorbed by your department that you will not be able to absorb without the school nurses under the Health Department?

Mr. Rusczek responded no. We will be recovering...we have a Pediatrician who has school and youth services and we would continue to recover six hours of her time per week as a chargeback and that is a revenue item. Other than that there are no other charges. We have worked over a number of years to keep the two programs pretty clean.

Alderman Roy asked so you are satisfied with the \$354,000 in revenue. You can meet that number?

Mr. Rusczek answered yes.

Alderman Roy asked and if we were to enact the increase in permit fees it would just make that number rise by \$30,000.

Mr. Rusczek answered yes.

Vice-Chairman Gatsas stated let's move along to...if we don't speed this up we will find every penny that is in the City. I don't have a problem doing that but I don't think a penny reduces the tax rate. Frank Thomas I guess...is Frank here? Kevin is here. No bake sales? No new revenue? No that's all right. You don't have to get up because if you get up somebody is going to start asking you questions.

Alderman O'Neil stated there is some concern with Tim Clougherty's memo.

Vice-Chairman Gatsas stated while he is coming up you can...

Alderman Roy interjected Kevin I know you are putting together numbers for the Solid Waste Committee and I know that our recycling numbers from a meeting two days ago have gone up 12%. Is it too early for projections...I know we are barely into this new contract but all of us are waiting eagerly for the savings of recycling so over the next month or two if they are not ready yet I would like to see those savings in the expenditure line item and any other revenues that may be created by our partnership with Corcoran.

Kevin Sheppard, Deputy Public Works Director, responded sure I agree. It is still early. It is the first month of our new recycling program and we are glad to hear as I am sure the Aldermen will be glad to hear that the recycling rate as we saw from last March has actually gone up. We have seen an increase. We have seen an amazing amount of toters leaving our office and being delivered by the new contractor, Corcoran, to the curbside residents. So recycling is taking off in the City now that we have gone weekly. That is something that we do want to watch as far as that tonnage – our solid waste tonnage. As you mentioned although our revenues we feel are pretty tight we are working with the Solid Waste Committee to take a look at defining who our customers are. There are a lot of towns and cities that do not service condominiums and the commercial sector and that is one thing that we are working with the Solid Waste Committee on to help define which customers the City wants to serve. Right now any solid waste that is placed at the curb by basically anyone on the day of collection we collect. That has been a long-standing policy of the City. It has been our opinion that maybe we should start defining who our customers are so we can set policies and thus reduce our tonnage cost per year.

Alderman Shea stated I would like Alderman Roy to explain to the people what is going to happen this week because that is when they are going to pick up the material from lawns – the yard waste.

Alderman Roy stated yard waste is being picked up on your regular day of collection. I believe that the spring program runs six weeks so every day the trash is picked up recycling will be picked up and yard waste will be picked up on your regular day for the next six weeks. It will be bi-weekly after that and then we will have a fall pick-up program. It will create savings.

Vice-Chairman Gatsas stated okay let's get into the Facilities Division.

Alderman Lopez responded I think we ought to wait until the School Department gives them a number because these numbers are not correct.

Alderman Osborne asked can I ask Kevin a question. It is on the same matter. What percentage would you say recycling went up?

Mr. Sheppard answered I believe the actual number was...I forget what the actual number was in the meeting but Alderman Roy mentioned 12% but it has gone up from what we have seen over the past years. That is for one month. It is difficult to gauge that.

Vice-Chairman Gatsas asked so do you want to wait until the School District comes up with a final rendition so that we don't run through this and have to have four different...

Mr. Sheppard interjected that is a difficulty we have run through every year with our Facilities Division. Typically we don't get the School District's budget until the last minute once the City's budget has been defined so it is very difficult for us to define our Facilities budget until the budgets have been resolved probably come May.

Vice-Chairman Gatsas asked can you give us at least an idea of what the FY06 number was. Is that in here before us?

Timothy Clougherty, Chief Facilities Manager, stated the FY06 number was \$6,295,483 for the School chargeback, which is almost identical to the Mayor's recommended budget.

Vice-Chairman Gatsas asked of that number for FY06 how many dollars are in discrepancy. Have you been paid all dollars billed to date or are there numbers or bills that are in discrepancy?

Mr. Clougherty answered there are no dollars in discrepancy that I am aware of at this point.

Vice-Chairman Gatsas asked no outstanding bills. Everything is paid current so there are no 90-day arrearages? Is there any way we can find out and I think that Kevin maybe you can find out in chargebacks from the School District what is on the long list to date of what is owed to the City if anything?

Mr. Clougherty answered yes the Committee on Accounts has been asking us to do that and we can give you the most current report. We have been doing that right along.

Vice-Chairman Gatsas asked so basically you are just looking to repeat the same number as it was last year. That is what the Mayor has in his budget. What was your recommended number?

Mr. Clougherty answered it was \$6.645 million.

Vice-Chairman Gatsas asked which is about \$400,000 higher.

Mr. Clougherty answered \$350,000 yes.

Vice-Chairman Gatsas asked have you found a revenue to offset that.

Mr. Clougherty answered that is the revenue we are talking about.

Vice-Chairman Gatsas stated I am only joking.

Alderman Shea asked why is there such a discrepancy between the two numbers in your opinion.

Mr. Clougherty answered well currently under the Mayor's recommended number and I don't know how far you want us to get into this but the Mayor's recommended number takes our recommended budget and cuts it by \$963,000 while at the same time the revenues only go down by \$350,000. The way our department or our division operates...

Alderman Shea interjected is that documented. Do you have a list of where the discrepancy is?

Mr. Clougherty stated it is in the memo that should be in your package.

Alderman Shea responded I know but I am saying it is just a general figure.

Vice-Chairman Gatsas asked can we just wait on this division until we get schools in and then we will bring them back and see what the School District gives us for a number.

Alderman Shea responded that is why I say it is so critical that we get the documentation from the Mayor as far as where this deduction or the schools or somebody so that we know. Thank you.

Vice-Chairman Gatsas replied I agree with you. I am just saying let's make believe we are trying to build this on our own. If we can wait until School comes in to find out where you are at and then we can come back and go from there.

Alderman Roy asked Tim when you come back in with those numbers could you please bring in a cost breakdown per square foot of what a national average is, what you recommend and what we are actually putting into it so that when we build this from the beginning we know what we are spending on our per square foot maintenance.

Mr. Clougherty answered that is not a problem.

Vice-Chairman Gatsas stated we are moving to Human Resources now. Ginny, I guess what you are saying is you are not sure what the possible savings from the drug rebates will be from Anthem in FY07.

Virginia Lamberton, HR Director, stated it is based on the amount of drugs that are utilized that are prescribed so we won't know that until...well this year we found out in December because we have the run out and then they do their calculations and negotiations with the drug companies and then we get the full rebate.

Vice-Chairman Gatsas stated can you just ask them if they looked at the number at this point –the snapshot at this time and what they think it might be.

Ms. Lamberton responded we can look and see how much the utilization has been in drugs sure.

Alderman Long asked with respect to the...did I understand right that we are in a three year contract with the PBM, the Prescription Benefit Manager. Is that who we have with respect to drugs?

Ms. Lamberton answered no we have Anthem Blue Cross and Blue Shield and Matthew Thornton and they administer our drug program.

Alderman Long asked have we ever looked at any leasing of a network.

Ms. Lamberton answered we have sent out an RFP for that. The last time we did an RFP we did a carve out for everything – stop/loss, prescription, etc.

Alderman Long asked with respect to medical claims from my understanding in the industry medical chains are offering a larger discount than drug prescriptions with respect to leasing networks. For example, CIGNA offers a large discount for leasing their network because they are in a larger...they are in a national network. Blue Cross/Blue Shield is usually by region or state.

Ms. Lamberton answered actually Anthem was bought out by a big corporation last December whose name I cannot remember at the moment. So they still go with the name Anthem Blue Cross because it brings comfort to people but they are really owned by another company. So they are negotiating nationwide as well and they do nationwide what they do for us, which is fully insured. They have self-insured, which is what we are for everything.

Alderman Long asked so are we now receiving any medical claim benefits.

Ms. Lamberton responded I hope I understand your question but it is up to Anthem to negotiate discounts on our behalf with the providers and then that feeds into how much we have for our premiums.

Alderman Long asked with respect to the prescriptions it is 10% you said.

Ms. Lamberton answered no I did not say that. I think that last year we had a little less than \$4 million in prescriptions paid out in claims and we received \$105,000 in rebates. We did not share that rebate with Anthem. They gave us the full rebate.

Alderman Long asked and the pharmacy benefit is a yearly payment and not a quarterly payment.

Ms. Lamberton answered I am not sure. What do you mean?

Alderman Long stated we got a rebate of \$105,000 and that is a yearly rate and not a quarterly rebate.

Ms. Lamberton responded it is at the end of a contract period, which is June 30.

Alderman Long asked and that is calculated on what. A percentage?

Ms. Lamberton answered I don't know how they negotiate with the pharmaceutical companies.

Alderman Long stated I know for ourselves the Ironworkers are self-insured. We get a \$2 drug pharmacy deduction or rebate and mail-in we get \$8 per prescription, which adds up to like a 16% prescription deduction. Also we started leasing a network from CIGNA, which gave us a larger discount on medical claims because they are in a larger network.

Ms. Lamberton responded I am not sure what organization you are referring to.

Alderman Long stated it is a labor organization.

Ms. Lamberton stated Anthem negotiates and that is why we pay them an administrative fee – to negotiate with all of the providers. We pay an administrative fee. We pay for stop/loss and the rest is just claims. Whatever the utilization of claims is with the employees. Anthem does negotiate with different providers for different amounts. It depends on how big their network is and how much they can give or take but their job is to get that down as low as they can get it down for us and all of the other organizations that contract with them in the state.

Alderman Long asked do you know what pharmaceuticals they deal with or is it all.

Ms. Lamberton answered off the top of my head...I know MERC for one but they have a variety. They also have a committee that is established within Anthem that is comprised of a variety of clinical professionals as well as doctors who go over which company they are going to contract with and which medications are proven to be most effective and they have a list of four levels and if they get to a point they will remove certain medications because they are either too expensive and they haven't proven to be as effective as perhaps the pharmaceutical companies said they would be. We just had a medication removed from the list recently.

Alderman Long stated just a final statement. Actually MERC MEDCO has a waiver alliance. I realize that there are both affiliates and non-affiliates but there is a labor alliance with certain labor organizations. Teamsters would be one of them. The Steelworkers would be another one of them. There may be an added discount with respect to...

Ms. Lamberton interjected yes but you have to be...we looked into that and my understanding is you have to be a member of the Teamster union and our employees are represented, some of them by Teamsters but more not.

Alderman Long stated it is not only Teamsters, it is Steelworkers, which some employees are recognized by...

Ms. Lamberton interjected yes and we have AFSCME.

Alderman Long stated they are also in that labor alliance.

Ms. Lamberton stated we did look into it but just for your information our contract with Anthem expires again in June 2007 and as we usually do we will put it out to bid in the fall and see what we get and what we do is put it out to bid in a variety of ways – fully insured, self-funded, carve out prescriptions, carve out stop/loss, carve out...anything you can carve out of it we have done before.

Alderman Forest stated just to answer Alderman Long's question I think I know where he is going. I believe and I am not sure when this was and you can probably correct me Ginny but we had some Committee meetings to try to save on insurance and get other companies and all of that. We had a person here who worked to give us some advice on where to go and everything else and I believe we authorized an RFP for the insurance and we got very few insurance companies to respond and that is how we ended up I think with Anthem. We put out the RFP and they were the least expensive and gave the City employees and the City the best benefits. I think that is how we ended up with what we have. I know where you are going about savings and everything else but we tried it and this is how we ended up with what we have now. Ginny can correct me if I am wrong.

Vice-Chairman Gatsas stated I remember that the Municipal Association was less expensive.

Ms. Lamberton responded not it was not.

Vice-Chairman Gatsas stated but the caveat was...

Ms. Lamberton interjected unfortunately it is not less expensive and the reason why is they contract with Anthem for providers so they have to pay for that. So let's say we are paying \$100/year for all the providers. Well the Municipal Association pays \$110 because Anthem has done all of the work.

Vice-Chairman Gatsas stated let's move along here.

Alderman Roy asked Ginny could you get a response from the Mayor's Office. The \$105,000 rebate we received last year was not folded into your budget as a revenue. It was just folded into that health insurance total and that number goes to

\$9.5 million this year. I would like to know if you used that \$100,000 or the expected rebate in the \$9.5 million or if it is outside of that.

Ms. Lamberton answered I can't answer that. You would have to ask Randy that question. I did not list it as a...we did put it in our count to...I think it was called and maybe you can help me general revenues or something but I haven't seen it show up in my budget.

Alderman Roy asked if you could just clarify with the Mayor's Office where that or any estimated rebates were applied to and get back to us I would appreciate that.

Ms. Lamberton answered sure.

Vice-Chairman Gatsas stated let us try and move this a little quicker here. Are there any particular pages because we could I'm sure go through this? Are there any particular pages that anybody wants to talk about and if it is everyone we can do it but if there are only certain ones...

Alderman Garrity interjected just to remind the Committee we are going to be here at the same time same place tomorrow night having the same discussion.

Vice-Chairman Gatsas asked is that a bad thing.

Alderman Garrity stated I was under the assumption that this meeting was organizational in nature.

Vice-Chairman Gatsas replied what it said on there is that we are going to talk about finances.

Alderman Garrity responded we were going to talk about revenues.

Vice-Chairman Gatsas replied correct. I'm sorry.

Alderman Garrity stated we have kind of skewed from that a bit I think.

Alderman Osborne asked would it be possible to have somebody come up – Deputy Chief Simmons. I just want to take about five minutes if you don't mind. This is new revenue.

Vice-Chairman Gatsas asked is it in here.

Alderman Osborne answered no it is not in there. This is a thing I have had and I think the Chief realizes where I am going at the present. I think it is my best shot now to bring it up this evening. As far as new revenues, Kay, who does your booting and non-moving violations what do you feel this particular position brings in a year?

John Jaskolka, Police Chief, stated we don't have those figures in front of us right now Alderman but she brings in quite a bit in just boots alone.

Alderman Osborne stated I realize all of that. I am not trying to badger you or anything. I am just trying to get some figures out so that maybe we can get another ranger or another person on one of these because we have a lot in the City that have non-moving violations that are out there that are not taken care of along with boots. She can't even keep up with the booting. This type of a position pays for itself. It not only pays for her but it pays for the vehicle and whatever else and I think it would make money tri-fold for your department. I think it is something to look into even if the Board has to go along with getting another vehicle to do so. I think we are missing the boat and have missed it for quite a few years. I talked once to Commissioner Garst when he was in my ward probably 10 years ago when I was on this particular idea. I think there is money to be made out there and we would clean up the streets at the same time. It is something to look forward to and if we could bring it forward I would appreciate it – what the figures were and what it would mean to have another person on this particular detail.

Chief Jaskolka responded we can definitely get you the figures on what she actually brings in. She does a lot of her booting first thing in the morning. She likes to come in early and then the rest of the day she goes around to the parking lots and so forth while the rest of the PCO's are downtown handling that area.

Alderman Osborne replied I am talking mainly what she does. She cannot cover it all. Even on weekends there is nobody out there doing it.

Chief Jaskolka responded we can get you the figures.

Alderman Osborne stated there are all kinds of non-moving violations out there. Not that I am after that but we might as well take advantage of it and get the City cleaned up to help your budget.

Vice-Chairman Gatsas stated I think I can help you out Chief. In your revenues you showed \$13,000 for booting.

Chief Jaskolka responded actually the figure we have is \$18,000.

Vice-Chairman Gatsas stated \$18,000 are your revenues year-to-date and I think the modified budget shows \$13,000. So it is about \$18,000 a year Alderman.

Alderman Osborne replied she was explaining to me how many boots she could put out there but she just can't do it all. There is a lot of booting to be done. Not only that but there are a lot of non-moving violations out there on weekends.

Vice-Chairman Gatsas asked so your suggestion is that they look at it as a revenue source and bring that forward.

Alderman Osborne answered exactly.

Chief Jaskolka stated we can do that.

Alderman Pinard stated Chief Wellington Road is one and Candia Road is another one where at certain times like 7 to 9:30 AM I have had complaints from the neighbors and everything else that the trucks still go through on Candia Road from the beltline to Mammoth Road. We are looking for revenue and a few years back you had a fellow by the name of Lavigne I think that used to park on Brennan Street and get all of those trucks. We have the same problem on Wellington Road and that is revenue. What is the fine on a truck? I think it is like \$300 isn't it?

Chief Jaskolka responded that is motor vehicle and that would go to the state. That is a motor vehicle summons. That strictly goes to the state. The City doesn't get anything out of that.

Alderman DeVries stated I wanted to go to the letter that you prepared when you were talking about a fee increase for the game of chance and some testimony up at the state house. I guess there has been quite a change in the way that these games are run and you kind of lead to it within your letter that there are now private companies running the Texas Hold-em tournaments or whatever for non-profits so it is not a direct application by a non-profit. It is usually a company on behalf of the non-profit. You recommend just going from \$25 to \$50. The fact that those private companies seem to be changing their contracts with the non-profits and often now are giving non-profit companies somewhere between 10% and 25% of the proceeds and keeping the rest for the for profit organizations I would suggest that we dramatically increase those fees and look for a way to maybe skew it so that if a contract is shown that has 75% or greater going to a non-profit that we leave it at the \$25 but if they do not show a contract to you that has at least 75% of proceeds going to a charity or non-profit that there be a dramatically higher fee. Maybe other towns have already moved in that direction but the Texas Hold-em tournaments are apparently turning out \$30,000 or \$50,000. I haven't been to one.

Chief Jaskolka replied that was going to be my response that we were keeping it lower for the non-profits but if we were to do it with the corporations running it then I think we could probably, through their contract, set a fee accordingly. If it a strict non-profit and the profit is actually going to the organization we can keep it low but if it is going to other companies then we could probably kick up the price on it.

Alderman DeVries stated from testimony at the state house apparently there is a contract that they sign with the non-profits and that could easily...will declare the percent of the proceeds going to the charity. It should be an easy reference.

Alderman Lopez stated I think that is a very good point you bring up. I think \$25, \$50 or \$100 is too cheap regardless. It should be increased proportionately to what the people are making. A non-profit does make out a little bit but the people that make out are the people who put on these Texas Hold-em tournaments. So \$250 a play wouldn't hurt me one bit.

Vice-Chairman Gatsas stated I thought there was no gambling Chief. Can you explain to me...

Chief Jaskolka interjected can I default to my expert on that.

Vice-Chairman Gatsas stated I think it is pretty clear because we have devices that the Clerk licenses and the total of that fee is a total of \$1,500 per machine.

Alderman Lopez responded that is for play.

Vice-Chairman Gatsas replied that is per machine.

Alderman Lopez responded yes per machine but that is for fun.

Vice-Chairman Gatsas stated I understand that but...

Deputy Chief Simmons interjected originally the games of chance that we were getting applications for were like Monte Carlo nights and they were few and far between. Along came Texas Hold-ems now obviously run by private companies. Actually we have had discussion with the Attorney General's Office and there seems to be for lack of a better term, a loop hole relative to what is gambling, what is a Monte Carlo and what is a Texas Hold-em and where these all fit into play. So right now they have been allowed to proceed for the most part acting as agents for these non-profits and obviously creating a considerable profit for themselves so that was the reason for this increase here.

Vice-Chairman Gatsas asked is there anything that stops us from charging a fee of 5% of the total gross.

Deputy Chief Simmons answered off hand I would say I don't think so.

Solicitor Clark stated yes there is. We cannot tax. We can only set a fee based upon our cost of enforcement and administration of that license.

Vice-Chairman Gatsas asked is there an ordinance that needs to be put in place that circumvents that.

Solicitor Clark answered that is state law. Municipalities don't have the ability to tax. The courts have ruled that you have the ability to set a license fee but it has to be reasonably based on the cost of enforcement and administration of that license. It can't be a profit-making tool.

Deputy Chief Simmons stated we do mandate that they hire a detail officer when they have a Monte Carlo or any kind of event like that.

Alderman Shea stated the other part of course is self-explanatory and I think that in the Traffic Committee they did make suggestions about raising the permit fees. Is that right?

Alderman Osborne asked permits on what.

Alderman Shea answered for permits and so forth.

Alderman Osborne asked permits for what.

Vice-Chairman Gatsas stated I think he is referring to the Committee on Administration.

Alderman O'Neil stated I think some of these items as I recommended earlier regarding that permit and some of the recommendations from the Traffic Department be referred to our parking consultant who is in next week before the Public Safety and Traffic Committee.

Alderman Shea stated but until this is actualized I don't think it will be realized. Alderman Osborne have you taken an interest in this raising of the permit fees?

Alderman Osborne responded I have something now coming from the Solicitor's Office going over all of the fees for traffic and everything I can get my hands on. I think a lot of them were back in the horse and buggy days. There is no doubt

about that and I am sure a lot of those will be going up within time. I have only had a couple of meetings here.

Alderman Shea stated one thing I wanted to bring up and this kind of germinated a thought in my mind but when I go down by the civic center, either drive by or attend an event there, there are all kinds of people with signs saying \$10 and I know that this was raised regarding the assessment of the property. In other words people have moved trucks out of driveways and moved cars into places of business and I am wondering if the Solicitor has followed up on making that part of the assessment of the property of that particular place of business. I thought the previous Assessor mentioned they were going to do some pictures or something like that because they are really taking a freedom there in terms of how they are using their facility. In other words if somebody charges \$10 to park and they take in a revenue of \$200 or \$300 or \$400 if they can jam in 40 cars what happens? Does that add value to the property?

Mr. Cornell responded yes. By state law all property is assessed for its highest and best use. The property that is located next to the Verizon if they are obtaining additional income, that would certainly be realized in the assessment.

Alderman Shea asked do they make a report of those extra funds to you or to anyone. How do you...

Mr. Cornell interjected we have requested sending out income and expense information to all commercial properties. By law they are not required to give us that information. Hopefully we will get some of it but history indicates that we probably won't get too much.

Alderman Shea asked so if you don't get the information from them directly how can you get the information if at all.

Mr. Cornell answered well ultimately we make our best estimate. We do the best we can to get the information. If we don't get the information we make our best estimate.

Vice-Chairman Gatsas stated can we wait because we have them for about a three or four hour period. I know that we are going to go through these questions with the Assessors tomorrow night.

Alderman Shea responded if he wants to bring that information back to us when he appears before us I would appreciate it.

Mr. Cornell replied we will be here tomorrow night.

Alderman Roy asked is it possible Chief for you or your delegate to give us an idea of what a year's worth of increased revenues and what you would recommend the fee be increased to – what impact that would have. Are we talking about 10 a weekend or 100 a week? How many are we looking at so we can put some numbers together as to the different levels of estimates? Who the permits went out to? Any type of list you can give us.

Deputy Chief Simmons asked are you talking about the Texas Hold-em tournaments.

Alderman Roy answered yes.

Alderman Garrity stated I have an editorial comment if I might. Mayor Guinta provided us with a tax cut. I realize that this meeting is about increased revenues. We have talked about nothing but increased fees tonight. He provided a tax cut to the citizens of Manchester and we have done nothing but talk about increased fees for the citizens of Manchester. I think it is important when we talk about increased revenues that...granted we might have an increased tax cut but we are talking a lot about increased fees tonight. Are some justified? Probably but there has been nothing but talk about increased fees tonight and I am a little disappointed in that.

Vice-Chairman Gatsas asked do you have any other ideas, Alderman. It sounds like you want to adjourn.

Alderman Garrity answered I don't want to adjourn but let's call a spade a spade. We are talking about increased fees for a number of areas tonight.

Vice-Chairman Gatsas responded that is all relative to where this Board wants to go.

Alderman Garrity replied absolutely and I am just one member of this Board.

Alderman Osborne stated I would like to answer that.

Vice-Chairman Gatsas responded let's not get into a debate because we have two months of debating.

Alderman Osborne replied I don't want to debate him. I just wanted to give him my feelings about fees but go ahead. We will carry on.

There being no further business, on motion of Alderman O'Neil duly seconded by Alderman Lopez it was voted to adjourn.

A True Record. Attest.

City Clerk